

Behind The Scenes At Broderbund

A Family Affair

Doug Carlston had all the right credentials. He went to Harvard College and graduated from Harvard Law School (class of '75). He began his law practice at a prestigious law firm located high in the Sears Tower in Chicago, litigating disputes over Lake Michigan water rights.

Doug became fed up with life in the Windy City and escaped, hanging out a shingle in a small town in Maine. He found that many of his clients were "night hunters" (shooting game after sunset is a dastardly crime in Maine).

Instead of just watching the grass grow, Doug filled in his leisure hours by fooling around with a TRS-80 he had bought to help run his law office. Doug took to programming. Eventually he completed a strategy game, contacted three software houses, and sold his game to all three; one was Scott Adams' Adventure International. He wisely negotiated non-exclusive agreements, retaining the right to sell the game himself.

Doug, now 32, was getting restless. His night hunters always seemed to be guilty, and the prospect of a career defending criminals, many of whom never paid their fees, appeared dismal.

He thought of joining his younger brother, Gary, who lived 3000 miles away in Eugene, OR. Gary, too, attended Harvard where he had decided to major in Celtic—for no particular reason. The program was full, but the department head for Scandinavian Studies happened to be on the same floor as the head of the Celtic program. Being of Swedish ancestry, Gary decided to major in the language and literature of his ancestors. Although he didn't know it at the time, one of Gary's intramural activities would help him make a living after graduation; he played for the Radcliffe basketball team.

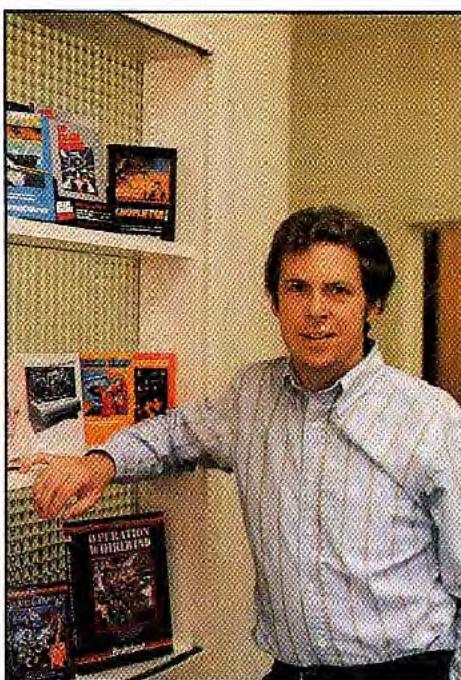
Gary always had a lust for travel. Soon after graduation, he went to Sweden. Looking for pick-up games, he eventually

Ken Uston

ran into other basketball players. One thing led to another and before long Gary found himself doing something most red-blooded American boys would give their eyeteeth to do. He got a job coaching an all-girl Swedish basketball team.

"Most girls in Sweden don't look like the tall model type you'd expect," Gary explains. "This team did, though."

Somehow he managed to tend to business, and under five years of his stewardship, the team won three national championships and came in runner-up twice.



Doug Carlston stands alongside Broderbund's "trophy case of winners" which includes the Arcade Machine, a best seller he co-authored.

Then Gary decided to go to the West Coast. He taught Swedish for a while at a college in Washington State. Then he was hired as the state director for The March of Dimes in Oregon and moved to Eugene, a sleepy town about a hundred miles south of Portland. He quit in the summer of 1979 and looked for another job, in vain, for six months.

More Games

Back in Maine, Doug's success with his strategy game led him to try designing more games. He programmed a battle game, *Galactic Empire*, and a game of barter called *Galactic Trader*. Then he decided to go west. He rented a place in Eugene, and, to save rent, Gary soon moved in with him.

As the two brothers contemplated their future, Doug at one point suggested to Gary, "Let's start a software company."

Gary's reaction was something like "What's a software?" as he responded, "No way. I don't know anything about computers."

Doug was persistent. Gary had nothing else going. Finally, the brothers decided to give it a whirl.

On their first day of business, February 25, 1980, Doug went out to register the name of the company. The brothers decided on the name Broderbund, which loosely translated means brotherhood in German, Danish, and Swedish—after all, they were blood brothers. They decided to keep the Danish slashed Ø since it resembled the programmer's "Ø".

Gary's job on February 25 was to go out and sell software. The first day augured well for Broderbund; Gary took a \$300 order.

Just a week later, Gary hastily arranged to rent a microbooth at the West Coast Computer Faire (an inexpensive option the show makes available for fledgling companies). He brought his brother's games

and an Apple computer. The booth next door was occupied by a Japanese firm, Starcraft, who had brought Apple programs, but had no computer on which to run them. Gary let the Starcraft people run their programs on his Apple. The Japanese liked Doug's games; they also liked Gary. A friendship was soon formed.

The Japanese Connection

Things weren't looking too good back in Eugene, however. In their fourth month of operation, May, 1980, Broderbund's sales were exactly zero. Then several important events occurred.

The Starcraft group, impressed both with the brothers Carlston and the Galactic series, took a trip to Eugene. Gary, knowing full well that the Japanese put much stock in being educated at the proper schools, just happened to leave his Harvard Alumni magazine in a conspicuous place. Whatever it was that happened that day worked—the Harvard magazine, good chemistry, or the Carlstons' self-effacing honesty and frankness. The Japanese, duly impressed, made a U.S. distribution deal for Starcraft products (including a game called *Apple Galaxian*) on the spot.

Gary had been thinking about making a trip to the Bay Area to sell software, but didn't have the funds. A second reason for going south surfaced when he got word that the Swedish basketball team was coming to San Francisco. Friends chipped in and bought him an airline ticket. It was a successful trip. Gary booked \$5000 in orders which he called in each day. Doug, up in Eugene, filled them. Gary also made some important industry contacts.

Then the brothers decided that Doug

should make a cross country auto trip to New York and back. He stopped at retail outlets across the country, calling in orders daily. When he hit New York, Doug called sister Cathy, with whom he hadn't talked for about a year.

Cathy, 24, had graduated from the University of Massachusetts two years earlier, majoring in Fashion Marketing. She joined

While Cathy posted accounting entries on the kitchen table, Gary was making phone calls in the living room, and Doug was out in the garage stuffing disks.

Lord and Taylor in New York City as a trainee and was eventually promoted to buyer. Doug showed Cathy some of his computer games. It was the first time she had ever seen computer software.

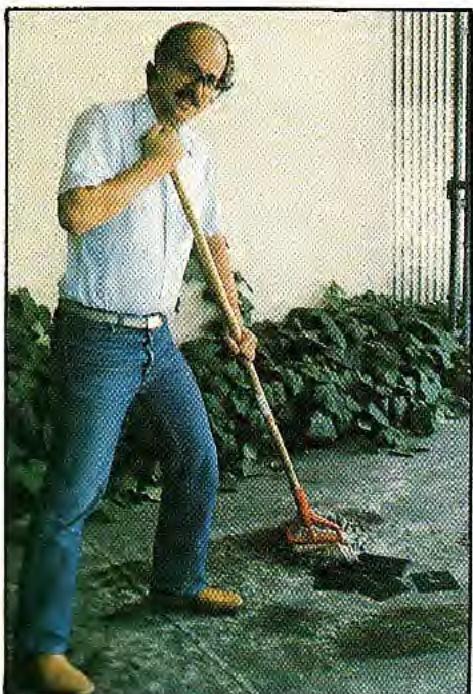
Doug's itinerary took him up to Connecticut. A retailer there mentioned that, just a few days earlier, he had been visited by a fellow named R. Sherwin Leff from Los Angeles, who wanted to start a software distributorship. The retailer gave Leff's business card to Doug.

Doug returned to Eugene, thinking it had been a successful trip, with \$10,000 of orders taken. He didn't realize the true significance of the trip until he sent a copy of Starcraft's *Apple Galaxian* to Leff, whose company was then called Robwin. Leff was ecstatic over the game (to this day, some players feel *Apple Galaxian* is the best home rendition of the arcade game Galaxian). Leff went so far as to lend the Carlstons \$800 to send 400 copies of the game to 400 retailers around the country (Robwin was later renamed Softsel and is now the largest software distributor in the country).

Broderbund sales took off, soaring from \$10,000 in November to \$55,000 in December. The company did \$100,000 for the year.

Broderbund was still far from a pot of gold, however. Since their profit margin was between 15 and 18%, the brothers had less than \$20,000 to divide between them for their around-the-clock efforts in 1980.

As the volume increased, so did the work load. The brothers hired their first employee, a part-time stuffer, in December, 1980. Business continued brisk into early 1981 when two full-time employees, and more part-timers were hired.



Gary Carlston mops up the competition.

The Woman's Touch

Meantime, back east, Cathy was getting a bit tired of retailing and didn't particularly like the idea of living in Manhattan.

One day, while talking with her brothers on the phone, she expressed dissatisfaction with her current lifestyle. Doug said, half jokingly, "You could always move out here and work with us. As a matter of fact, we need an office manager."

Cathy had found computers a bit intriguing after seeing Doug's little software display on his visit to New York, and after a few more telephone calls, the discussions became serious. Cathy soon resigned her prestigious position in the New York fashion world and flew to Eugene, for a new career as office manager. On the day she landed, she found her new job had changed. The bookkeeper had been fired, and the brothers badly needed help in laying out and placing ads. Cathy became a bookkeeper and advertising manager.

Broderbund was still a family operation. The three Carlstons all lived together.



Cathy Carlston.

While Cathy posted accounting entries on the kitchen table, Gary was making phone calls in the living room, and Doug was out in the garage stuffing disks.

The Carlston triumvirate came to the Bay Area for the March, 1981 West Coast Computer Faire. This time the company had the funds to pay for the trip. Cathy felt a twinge of satisfaction as she realized that the Broderbund name was recognized and indeed respected at the show. They introduced their first business program, a payroll package called Broderbund Payroll.

Space Quarks

A significant event in the history of Broderbund occurred that month. The Carlstons met Chris Jochumson. Chris was something else. As a kid, he studied electronics for fun. While in the Air Force, he bought an Apple and spent his spare time experimenting with it. Chris chatted with the Carlstons. Shortly thereafter he sent

a game he had written, called *Space Quarks*, up to Eugene.

Gary booted the disk, examined the game, and immediately picked up the phone. He called Chris and offered him \$1000 plus a percentage of sales. Today, Gary sighs with relief as he recalls his impetuosity; he literally beat out other companies by minutes in recruiting Chris.

To this day, Broderbund has never lost a programmer.

Sixty days later, Chris was signed up. Signing up Chris was a significant event for another reason. Programmers tend to prefer to work in an environment in which they can exchange ideas and learn from one another. Thus, Broderbund took its first step toward becoming a creative "think tank." (Chris is still with Broderbund. In fact, to this day, Broderbund has never lost a programmer.)

Broderbund was having problems in Eugene. The biggest hassle was the fog, which once kept the airport closed for two straight weeks. The company couldn't get its supplies; nor could they ship product. Customers, including Softsel, were screaming.

Gary wanted to move to Seattle, a city he had enjoyed in the past. But Doug and Cathy were getting weary of the Pacific northwest rain and preferred to relocate where the action was—somewhere near Silicon Valley. They prevailed, and in August, 1981, Doug and Cathy went to San Francisco to reconnoiter. They found a big house they liked, high in the hills of San Rafael.

This was no Big Corporate Move, with packers, moving vans, and first class airplane seats. The Carlstons rented a U-Haul, and friends helped them load the truck. The three of them, with Chris and Brian Eheler, who handled production, drove south caravan-style.

The Carlstons moved into the house on the hill and started interviewing people for jobs. They hired 11 employees in two months. The comings and goings attracted the attention of irate neighbors, who complained that the area was zoned for residential, not business, purposes.

So the search for an office in San Rafael began. Two months later, Broderbund moved to their current location, a Quonset hut on 4th Street in San Rafael, occupying 4000 square feet (they now have 12,000 square feet and will soon move into a more modern 17,000 square feet location in San Rafael).

David's Midnight Magic

Another significant event occurred that month. Doug and Cathy went to a computer show in Chicago. The show itself was nondescript at best. The brother and sister contingent were sitting glumly in their booth, when a young student from Brown University happened by. He introduced himself as David Snider and mentioned that he had programmed a pinball game for the Apple.

Doug evinced interest; after all, a pinball game, *Raster Blaster*, had been at the top of the Apple game charts for months. David fetched a disk of the game and returned. Doug almost fell off his chair when he saw it. There was no doubt in his mind that it was a winner.

David was considering entering the software business himself. After being exposed to the harsh financial realities of starting a business by his parents and the Carlstons, he decided to sign up with Broderbund.

David returned to Brown, completed his senior year, and, after graduation, moved out to San Rafael to become a member of the brotherhood. Broderbund took David's program, named it *David's Midnight Magic*, and released it in December, 1981. (*Midnight Magic*, as you no doubt know, went on to win critical acclaim, commercial success, and a Game of The Year award from *Electronic Games* magazine.)

1981 was a good year for Broderbund. They booked over \$1 million in sales—a 1000% increase over the previous year. And 1982 started strong. In January, Dan Gorlin walked into a Los Angeles computer store. He said something about having programmed a game, and someone suggested he give Broderbund a call.

Dan had done some programming for Rand Corporation, but quit to pursue a career in music. He and his wife were in the process of selling their house in Los Angeles, and Dan thought it would be prudent to borrow his grandfather's Apple to crunch some numbers on the transaction. Between open houses, Dan passed his time experimenting with the computer. He soon discovered that the creative challenges of music applied equally to computer programming.

Choplifter

Dan had always been fascinated by helicopters. He thought it would be fun to design a game using them and was just about finished with one when he called the Carlstons. He had heard through the grapevine that they were his kind of people ("just normal folks").

The chemistry was good and Dan eventually became associated with Broderbund. Dan's game, *Choplifter*, was released in 1982. I don't have to tell you how it went

on to top the game charts for months and months.

Now sales were really taking off, far beyond even the magic million dollar level of 1981. The company's prosperity didn't escape the attention of venture capitalists, who started knocking on Broderbund's door. The family was receptive, because the company needed capital to get into the cartridge business—a risky and expensive undertaking.

In September, 1982, capital was infused by Burr, Egan and Deleage, a Boston and San Francisco venture capital firm. As is always the case, Burr et al. got a piece of the action. The rest of the company stock is held by the three Carlstons and over 20 shareholders, including several of the programmers. To attract talent and provide motivation, the Carlstons established a pool for employee stock options. And, yes, the company hopes someday to go public.

The Business Market

In December, 1982, Broderbund took a big step toward changing its image as strictly a game producer. They released *Bank Street Writer* for the Apple, a surprisingly inexpensive (\$70) word processing

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package, which took off after prominent mention in *Time* magazine. Several months later, *Bank Street Writer* was released for Atari computers as well. It remains near the top of business software sales charts.

Broderbund did over \$3 million in sales in 1982, and the prospects look even brighter for the future.

Gary, reflecting on Broderbund's growth, says, "It sounds haphazard, and it feels haphazard. But it's really not. We did have a business plan."

A Broderbund manager puts it another way. "The Carlstons continually underestimate their own intelligence, which is one reason they've done so well."

When considering the fierce competition in the software industry, Gary says, "Yes, you get scared. But it is a fact that good people rise to the top."

Gary believes that the company's formula for success is "honesty, openness, frankness, and creating a context for luck; also staying flexible . . . and you've got to really look for programmers."